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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

(FOUO 2/82)

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USSR REPORT  
CONSUMER GOODS AND DOMESTIC TRADE

ARTICLES ON HUNGARIAN ECONOMIC MODEL

(FOUO 2/82)

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CONSUMPTION TRENDS AND POLICIES

HUNGARIAN FARMING PRACTICES DISCUSSED

Moscow NEW TIMES in English No 14, Apr 82 pp 20-23

[Article by Sergey Golyakov: "Creative Energy"]

[Text]

There are, perhaps, no greater connoisseurs of food than the Hungarians. Their cuisine needs no recommendation. The recipes of the famous goulash or of fish soup a la Szeged can be found in the cook books of many countries. Nor have the Hungarians changed their tastes even in these diet-conscious times. Nearly half of every 100 forints a family spends goes for food, and the public mood depends in no small measure on the variety and prices of food products.

Those engaged in the production and sale of foodstuffs are guided accordingly. The 131 state farms and about 1,400 agricultural co-operatives are expanding their output from year to year. In the past five years the average annual rate of growth has been 3.5 per cent. Hungary ranks among the world's three leading countries in per capita output of corn and pork. Taking the average level of the past few years, grain production exceeds 1,300 kilogrammes per capita.

The achievements of the Hungarian farmers allow them not only to meet home demand but also to export a part of their produce. About 30 years ago the situation in Hungarian agriculture seemed hopeless. The damage caused by the war was nearly double the sum of the national income from agricultural production in 1938.

How was this important economic problem solved?

The main suppliers of food products are the co-operatives, which account for almost 75 per cent of agricultural output and ensure the highest rates of the growth, processing and realization of agricultural produce.

The law on co-operatives adopted by the National Assembly (parliament) points to their twofold purpose: economic and social. The economic aim is to expand production and improve the living standards of the co-operated farmers. The social aim is to mould the socialist way of life and thinking. Enjoying the recognition and support of the state, each co-operative runs its economic affairs independently, on the basis of democratically adopted decisions. The co-operative members enjoy the fruits of their labour and share the economic risks involved.

In his address to the fourth congress of agricultural co-operatives recently held in Budapest, Pal Losonczi, President of the Presidential Council of Hungary and Political Bureau Member of the Hungarian Socialist Workers' Party, said that in the past five years the co-operatives had effectively contributed to agricultural development and the supply of food to the population. Today, he stressed, twice as much is produced per hectare of land in Hungary than 20 years ago. Labour productivity in agriculture has risen nearly four times during this period. The activity of the co-operatives is deservedly respected by

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society as a whole. It has also drawn the attention of foreign specialists, of developing countries in particular. Representatives of Iraq, Benin, Sudan and other countries have visited Hungary in the past few years to study the experience of its co-operatives.

### The Beginning

Being a confirmed city-dweller, I feared I should be somewhat out of my depth when it came to describing the workings of an agricultural co-operative—sowing, harvesting, fertilizers, livestock and mechanization. But staff writers at the journal *Magyarország* strongly advised me to visit a co-operative, assuring me that I would not regret it. I certainly do not regret it if only because I made the acquaintance of Ferenc Fabian, deputy chairman of the Szilasmenti co-operative not far from Budapest. This quiet man with kind, clever eyes, a peasant to the marrow, quickly removed all my doubts. His story, like the thread of Ariadne, helped me out of the labyrinth of preconceived notions into the world of unexpected discoveries, to acquire a lot of interesting and instructive information about the co-operative movement in the Hungarian countryside.

It is firmly believed that this movement began in April 1945, when Hungary was liberated from the fascist yoke by the Soviet army. Agrarian reform was one of the first steps taken by the new, people's government. The peasant's age-old dream of having his own plot of land came true. Some 850,000 landless peasants and farm labourers received such plots for a symbolic payment. Each family was allotted an average of three hectares. The transition from individual farming to socialist co-operation thus began on the basis of small-scale family farming on privately-owned land.

In the years of postwar dislocation the peasants did not have enough draught cattle, machines, fuel or seed. Farm buildings lay in ruins. To get things going again, the peasants began to organize mutual aid groups. With land remaining in private

ownership, part of the farm work was carried out jointly. Mutual aid groups became the prototype of the future co-operatives.

The beginning was difficult. The documents of those years are preserved in the archives. Because of the paper shortage, the minutes of the initial meetings of co-operatives were jotted down in pencil on the backs of posters or on ordinary wrapping paper. Here are the minutes drawn up in Tiszrészler Village in September 1948: "The co-operative has 11 members. It was organized by six peasants. Five joined later. The co-operative members discuss all questions together. All the work is done jointly. The harvest is divided equally. One-fifth of the harvest is put by. General meetings are held on Sundays. The members see to it that everyone works an equal amount of time. A pool of cows and implements has been formed. The co-operative has 79 hectares of land, 80 hectares of them being ploughland."

"We had something like this too," Ferenc Fabian told me. "When the 30th anniversary of our co-operative was observed in 1978, people recalled those difficult days. The country here is hilly, and the soil is not very fertile. It is practically impossible to gather a good harvest. Only some ten years ago many villagers left their home and went elsewhere in search of a steady income."

Today the co-operative on the bank of the Szilas River, from which it derives its name, is one of the most prosperous in the country. Last year its produce was estimated at 900 million forints, and net profit was about 90 million forints.

### Gold Mine

True, the main produce of the Szilasmenti co-operators is rather unusual. In the early 1970s, after much searching, experiments and consultations with scientists and agronomists, they discovered that medicinal herbs and essential oil-bearing plants grow well on the local soil which is little suited for traditional crops. This determined the specialization of the

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farm. Almost half of its 4,000 hectares of arable land is sown to camomile, mint, savory, sage and other aromatic grasses.

It should not be thought, however, that this "gold mine" proved easy to exploit. It took more than the initiative of the co-operative leaders for the farm to begin specializing in herb-growing. Many an important change in the economic and social life of the country was needed before this could happen. It was necessary to renounce some of the methods of implementing agrarian policy which had proved erroneous. It was necessary to find money which the state, with its former emphasis on industrial growth, did not have. It was necessary to give up the system when the farms were told from above what and how to plant, often without the actual conditions being taken into account. Lastly, it required some previous experience of co-operation, a truly revolutionary shift in the minds of peasants, Party decisions that would inspire them and encourage their initiative and increase the interest of peasants in the results of their labour. The persevering efforts of the Hungarian Socialist Workers' Party along these lines soon bore fruit. Striking proof of this is the progress achieved by Szilasmenti.

Ferenc Fabian did not take me over the fields. There was nothing interesting there, he said. What the co-operative boasts of is its industrial buildings where the aromatic herbs are processed and prepared for the market. But I did not at once see the familiar packets of dried grasses. The first building we visited—a realm of tiled walls and spotless cleanliness—houses a modern chemical laboratory with complex equipment which turns many tons of the green mass into a few litres of essences and oils. As we moved from one section to another more operations were added which immeasurably increased the value of the original raw material. At the end of the production line I saw various kinds of preparations in attractive modern

packing. Of course, to build and equip these modern shops cost a good deal of money. The co-operative could not have afforded them had the government not provided the necessary credits and equipment on favourable terms.

Doing their own processing is one of the main features of Hungarian agricultural co-operatives. Most farms have built shops to process poultry, milk, vegetables and fruit. These shops account for up to 30 per cent of the total income of a co-operative and help to meet consumer demand. Besides which they keep the co-operative members occupied all the year round.

Many farms also engage in wood-working, fulfil orders from enterprises for repair and maintenance work, and have their own building teams. The Szilasmenti co-operative also has its sidelines: its members assemble small amplifiers for outside TV aerials and make furniture accessories. The farm has a small plot at a nearby quarry, where marble aggregate is produced for construction purposes. It also builds premises and houses for its members and for people in neighbouring villages.

"It is not so much the additional income we're after, though extra money is never superfluous," Ferenc Fabian explained. "We simply don't want manpower resources to be wasted. If people have the time and there is a big city nearby, why not organize teams for house-cleaning. The extra money may help the co-operative to cover the expenses involved in the higher cost of producing its main item. Take the hot-houses, for example. The electricity charges and fuel prices have risen noticeably in the past few years, and there is no point in selling early radish or lettuce at ex-

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orbitant prices."

Then there are the individual and subsidiary plots of the co-operative farmers. Individual plots of not more than 0.6 hectare are allotted members for conscientious work and for fulfilling their time quotas (2,500 hours a year for a man and 1,500 hours for a woman).

Subsidiaries include plots of land and farm buildings belonging to non-members of a co-operative. These may include plots attached to their homes or summer-houses, fruit- or vegetable-growing associations, etc.

Both types of allotments occupy a total area of 776,000 hectares. Over 80 per cent of them are unfit for large-scale farming. Nevertheless, up to one-third of the total agricultural produce in Hungary is grown on these plots. They produce 42 per cent of the milk, 60 per cent of the pork, and 70 to 80 per cent of the fruit and berries. Of course, small households do not play any part in the production of grain, coarse fodder, sugar beet or other marketable products for which large investments are needed. The individual farms grow onions, peppers, cucumbers and other vegetables and raise pigs, cows, poultry, rabbits and bees—work, which as a rule, calls for much time and manual labour. Hungarian experience shows that the success of this work depends above all on the multiform assistance of the co-operatives which supply the household farms with seed, pedigree cattle and fodder and do work requiring the use of machinery. Co-operatives also conclude long-term contracts with these farms for the sale of their produce, which thus becomes, as it were, a part of the total produce of a co-operative, and, moreover, quite

a large part.

"Close co-operation with small producers," Ferenc Fabian told me, "enables us to use what is virtually wasteland, old farm buildings in which on the scale of the entire country over a million head of cattle can be kept, and, lastly, family labour, including old people, dependants and pensioners who can and want to work."

But the proximity of a co-operative which can help farmers run their subsidiary plots remains the decisive factor. The Szilasmenti board includes a group of people whose job it is to give agronomical, veterinary and other assistance to small households. Nevertheless, the farmers receive their main income from the co-operative, not from their plots. Labour productivity in large-scale production is naturally higher than on small holdings.

It took a whole day to take in the Szilasmenti co-operative. Ferenc Fabian showed me the local house of culture. We had a snack in the co-operative canteen and visited the section where the composition of various natural essences are studied. This spacious shop is the only one of its kind in Hungary and is needed by the entire country. It produces all sorts of essences. At present it is preparing additions to the ration of broilers. A few drops to the ration, and the meat of broilers raised on artificial fodder acquires quite a natural taste.

Szilasmenti is a large and complex farm. The main source of energy which runs it is creative attitude of farmers to their work, the high sense of responsibility and the initiative of the farmers before whom people's government has opened truly broad horizons. ■

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CONSUMPTION TRENDS AND POLICIES

HUNGARIAN ECONOMIC MODEL DISCUSSED IN SOVIET PRESS

Agricultural Experiments

Moscow LITERATURNAYA GAZETA in Russian No 40, 30 Sep 81 p 13

Article by Kapitolina Kozhevnikova, Special Correspondent of LITERATURNAYA GAZETA:  
"How Are Things in Hungary?"

[Text] I first visited Hungary 2 years ago. I described my impressions of this trip in the essay "Believing in the Earth" (LITERATURNAYA GAZETA, No 8, 1980). The rapid growth of Hungarian agriculture and the search for various ways to improve it have caused a lively interest among our people. The editors received many comments about this article. The readers were pleased with the successes of our friends and they inquired and wondered what of the Hungarian experience could suit us. When on trips and meeting with acquaintances and colleagues, I always heard the question:

"How Are Things in Hungary?"

This universal and, I would say, even avid interest in the present Hungarian countryside caused me to go back to it.

In fact, how are things in Hungary?

There was my first impression possibly tainted by excessive emotion. There was the strong effect of the delights of this beautiful land. Had these not to some degree concealed the harsh essence of things? Certainly it was a question of purely prosaic matters, earthly in the full sense of the word.

Thus, again Hungary in the summer of 1981.

Something About Peasant Stinginess

This stinginess is widely known. "Peasant greed won out...", "Why do you grudge every penny like an old village woman?..." Is it not true that we often hear these or similar expressions? We no longer give them too much thought, we accept them as they are offending the completely blameless village people. Yes, of course, there certainly existed a peasant small-owner psychology and an affection for one's piece of land. How else could it be if the grain grower got everything by sweat and toil, just recall the recent history of both Russia and Hungary.

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A person constantly faced with the fear of hunger and pestilence learned to save every piece of land, each piece of bread and every penny. He did not squander his money as he had no capital. Once it was gone that was the end of it....

I would rather speak not of peasant stinginess, but rather thriftiness. Man through the ages has lived off the land, its fruits and everything that it produced and gave him. He always looked at the skies wondering what to expect: an evil desiccating heat or gloomy bad weather?

For the peasants life together, on a kolkhoz, has been both easier, more advantageous and more productive. But it has also evoked a new concern: how to instill in the country man the concept of "your and everyone's together." He drives modern machines which have arrived in the fields and on the farms; he lives in a good home. He even has his own motor vehicle (not every one, but some do). He earns a good deal of money, he travels and visits resorts. But on the field you can see an abandoned combine. The untransported potato can rot in the clamps.

How can a feeling of thriftiness, even a little stinginess, be returned to all farmers without exception so that they did not waste a kilogram or a hundred kilograms of tomatoes or apples?

No matter how one cuts it there is one way out: it is essential to find in our viable socialist system not only the moral but also the precise material incentives which would force a person to work so that it would be impossible for him to throw out even a hundred grams of produced product.

For a certain time the Hungarians, not fearing the accusation of miserliness, have begun to follow the principle that the best thing is money in the bank. Before a cooperative or state farm undertakes something it first carefully analyzes whether this will bring a profit or loss.

I know there are persons who would immediately raise counterarguments: such an atmosphere fosters a person with a petty owner psychology, that we do not live by bread alone and so forth. But the main thing, in my opinion, is something else.... Very poignant for me are the words of L. I. Brezhnev said by him at the 26th Part, Congress: "The economy should be economic."

This is the issue. It is the main thing.

...We drove south from Budapest into the county of Baranya, virtually across the entire country, past lush fields and vineyards, past old cities. We drove almost to the very Yugoslav border. It was the settlement of Baksa.

Andras Pinter is the deputy chairman of the cooperative here. To become acquainted with the cooperative, I might mention the figures of the harvest brought in last year: 58 quintals of corn per hectare, 58 quintals of wheat, 47.7 quintals of spring barley, and 25 quintals for sunflower.... These are solid figures. That year, Pinter said, was a regular one and in some ways unfavorable. Incidentally, in 1980 the entire nation obtained from each hectare 47.4 quintals of wheat, 37.7 quintals of barley, 53.3 quintals of corn, 371.3 quintals of sugar beets, 147 quintals of potatoes and 52.3 quintals of grapes.... The Hungarians fatten beef, pigs

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and chickens not only for themselves but have also made meat a most profitable item in their exports.

The ability to count every forint, to proceed primarily from economic advantage and to feel the real soil under your feet--I was convinced of this again and again during my trip--just how important this is to make agriculture highly profitable!

When in Baksa they took a look, said Andras Pinter, and reached the conclusion that even a cooperative which had excellent machinery and good personnel available would still to produce sufficient products from the fields and farms if they could not find that magic wand which is tediously called material self-interest.

"Just look," said Pinter enthusiastically, "how is a brigade's work usually organized? The leader gives the instructions and the people carry them out. There is nothing to think about and nothing to wonder about. But the peasant certainly is the creator on the land! Give him some independence. He loves to wonder what should be done and how. An indifferent worker is useless to the cooperative and useless to the state. Two years ago, with the aid of scientists from the economics institute, the idea arose of creating small groups of workers for the sectors and abandoning the large brigades where everything was lost and diffuse where eternally something or someone was lacking.

We started with poultry raising. We assigned 15 persons who would be both the poultry tenders, the mechanic, the driver and the night guard. Here you have all the necessary means of production and here you have 600,000 forints which corresponds to the total wages paid during the year to the collective. By the end of the year, see to it that you produce a profit of 3 million forints. How you do this, by what ways and means--that is your job. Take over!

There were arguments and debates about whether or not this would destroy the already existing organism. Was every person who dreamed about independence capable of using it?

"Well what happened," said I with interest, "at the end of the year did they produce the planned 3 million rubles of profit?"

"More, much more!"

"And how was this money divided?"

"Like this. Of the total received above the plan, 30 percent went to the cooperative. This was for the amortization of the equipment, credit and so forth. The 30 percent was divided between the brigade members. They themselves determined who got how much. Well, things got underway. All poultry raising converted to the group farm and then the other sectors as well. The innovation was beneficial for us. Do you know I do not recall such a procedure for the equipment or such industry in my cooperative although I have already been working here 18 years. Take the same poultry raising. Certain farms have motor vehicles. They are eternally in short supply and new ones are requested. Now two vehicles satisfy all needs. They sometimes are even turned over to other groups, but for a fee. Everything has been repaired and everything brought into order. Not even a single board is loose. The food is consumed thriftily."

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The group or brigade is given extensive rights. When necessary they themselves can hire urban residents or anyone else as they receive the entire wage fund for the year and spend it at their discretion.

At the end of last year, the cooperative paid its seven groups 920,000 forints above their wages. Everyone received different amounts: some 2,000 forints and some 12,000.

"Obviously, there must be some ceiling in wages?"

"Yes, of course. This is determined by the Ministry of Finances. If it is exceeded, a person will pay a progressive tax...."

Is this a variety of our non-schedule system? Actually it is a Hungarian version of it. It is a viable and interesting version which encompasses and solves a broad range of problems including: independence, self-interest and economy. Here a person keeps control of things and becomes their true master.

And as the master he keeps account of the money and everything else, he finds the way out of a difficult situation and knows where to spend and where to save.

If it is awakened and directed into the required channel, this peasant thriftiness is capable of a great deal. And ultimately it will end up with a well-stocked shelf and table as has happened in Hungary.

"A Living Organism and Not a Monument...."

In my previous visit I had twice met with the then Hungarian deputy minister of agriculture and food industry, Jeno Vancsa. At present, Comrade Vancsa is the minister. We both wanted very much to continue our interesting talks. But life did not provide such an opportunity. My meeting was set with the deputy minister Janos Jeleki.

The deputy minister was a short thin man in a sports jacket. The ice of unfamiliarity was quickly broken.

It is worthy of note that Jeno Vancsa for many years was the director of a sovkhos and for 18 years after completing an institute Janos Jeleki worked in his home village somewhere beyond the Tisza River, initially as the chief agronomist and later as the deputy chairman and then chairman of the cooperative.

"This is my second job," said Jeleki smiling, "and generally speaking, you can take me merely as an ordinary rural agronomist. Particularly as I have worked less than a year here in the ministry...."

"The path of our agriculture is not at all simple," began Jeleki in reflecting, "the countryside has lived through many difficulties. At one stage there was an efflux of manpower into the cities, the planned quotas for the harvest were not met and much produced product simply rotted. For a time we purchased frozen meat in Argentina.... But the land and all that could be produced on it was the main wealth of our nation. Nature did not grant us anything else. And the acute need forced us to

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think and seek. In what areas were the searches? How could labor in the countryside be made advantageous for everyone so that people would not wait for the orders to begin planting, to sow such and such, so that they would learn to act independently. But this independence should not develop into anarchy but should bear fruit and strengthen both the cooperative and our entire national economy. How does a pilot learn to fly? At one moment he is sitting next to the instructor and then all of a sudden he is alone in the skies. It is terrifying. But he flies. The instructor below follows the flight. Is it easy for him at this moment?.... But let us not look at the skies but rather return to the earth which must be cultivated, planted and harvested.

How are relationships now organized with the cooperatives? A state plan is drawn up both for the 5 years and for the year. The farms outline their own plans. Usually they are higher than the state ones. Why? Because in food production we plan not only for the domestic but also the foreign market. Incidentally, almost one-half of our income comes from the exports of agricultural products, such as meat, vegetables, fruit and wines.... But the world market at present is extremely capricious. For this reason we call our general state plans open. That is, there can be various changes and supplements. But then the annual plan is more stable.

The present system of state prices for products, crediting and capital investments--all of this creates an economic sphere in which the interests of the cooperative and the entire national economy are as close as possible."

"Our readers are very interested in how the situation is in Hungary with the processing and storing of food products."

"In Hungary agriculture and the processing industry operate in one system. Even the ministry is one.... In the present Sixth Five-Year Plan, the state is providing great material aid to the farms for building all sorts of storage capacity."

"Two years ago, I visited the settlement of Hernad where there is a cooperative which is the head enterprise of the Hunnia-Hybrid system which raises chickens. The cooperative along with its partners has built a packing plant."

"We have many like that. Large construction is hard for a single farm to carry out by itself. It takes several others as partners. An interfarm cooperative results and this is advantageous for everyone. But if nearby there is a large capacity state enterprise which can fully handle the processing of the products, there is simply no reason for the cooperative itself to build something similar. In Hungary both state industry, the cooperatives and trade are all linked by the common goal of growing more, processing and selling rapidly. Let us assume that there is a demand for a certain product. But a cooperative cannot produce more of it. Then the state enterprise and trade invest a portion of their funds in the cooperative so that it can produce as much of this product as is needed."

"But then the two forms of ownership, state and cooperative, are mixed together."

Jeleki responded strongly to my perplexity as if anticipating it:

"Well, what of it? Yes, they are mixed, but ultimately the property of all the people is increased. This happens often in Hungary. Let us take tomatoes. There is a contract between the cooperative, the state plant and a trade organization. We

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know the area to be planted and the proposed crop. But it is impossible to reckon with the weather. If we harvest fewer tomatoes than we assumed, the plant will not operate at full capacity. If more are grown than was planned, we are overloaded with tomatoes. In order that there not be any conflicts, the cooperative and the plant form vertical integration. The aim is the same, that is, to rationally use both the land and the plant capacity and to produce more products and income. Together they decide how to proceed. The cooperative changes the tomato variety so that the crop does not mature all at once, but rather over a certain time. If the plant is short of workers the village provides them for a time. And it can now operate around-the-clock. But then trade begins pushing: there is demand, give us more products. Alas, the shops have to be enlarged for this. All three sectors invest money. In Hungary, there are many different systems and associations."

"Just yesterday I returned from Szekszard. There is a system which brings together the corn-growing farms. Almost half the nation is on their geographic map."

"Yes, this is a large production system. Some 15 years ago, five farms in Hungary decided to fully mechanize the entire corn-growing process. And corn is a most important feed crop, the basis of our livestock raising. In various nations we purchased a set of the most modern machines. The entire aggregate of problems--both biological, technical and economic--brought to life large associations which would include many partners and organizations. But we also have simpler cooperatives, and here is an example for you. We at one time lost much mineral fertilizers and chemicals in storage. It made no sense for each farm to build storage facilities as this was not advantageous and uneconomic. But if 10 or 12 of them were brought together, it would be easier for them in common to put up a true agrochemical center with first-rate equipment. We are no longer enlarging our cooperatives. On the contrary, some of them must now be split up. Life has shown that giant farms are less economical than medium-sized ones which are mobile, strongly united and well managed. If you wish it is easier for them to maneuver within the systems and associations. But our agriculture could not get by without these systems. Does this not encroach on the independence of the cooperatives? In no way. On the contrary. Only the independent unit is capable of determining its place in the system and in the one where it is more advantageous.

"Hence, complete voluntariness?"

"Oh, of course! Each is free to enter whatever system he wishes and to withdraw from it if this is found to be necessary. And they can join several associations at once. For example, one for producing grain, a second for meat and a third for fruit. The ministry closely follows to make certain the systems are profitable. Initially they are even given a trial period. It does happen that some fail. A living organism and not cast once and for all like a monument. And anything can happen with a living organism.... The main thing is no coercion of these organizations and no interference. Otherwise it is disadvantageous simply for all of us!"

Like the Conductor of an Orchestra

The village is called Tengeri. There are 30 households in it. How many hamlets or farms I have seen like this somewhere in the Ukraine! The same orchards with ripening apples and pears, the same red cocky roosters with flaming combs. And the roses, the roses, a true rose kingdom.

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Of course, I thought that it would be old folks living here who dug in their garden. In some ways this was the case, but not completely. One's own farm. In Hungary this concept has a somewhat different meaning.

"The Western economists criticize us for increasing the farmstead form of farming," I was told in Budapest by my Hungarian journalist colleagues. "Just what sort of socialist state is this which receives one-third of its food products from small-scale production? We consider this criticism unprofessional and superficial. Who produces the feed? The cooperative and the state farm. They produce it in abundance. Everywhere there are stores where feed can be purchased. The owner of the farmstead plot receives young animals from the cooperative. The agronomist and veterinarian are also sent out from here to him. If all of this were excluded or taken back, the small farms would wither away immediately. Here for you is integration of large socialized farming and small subsidiary farming. Why not develop such a form of rural labor?"

Actually, why? It is developing quite successfully.

The quiet village of Tengeri is a particular shop of a cooperative, a household one.

We opened one of the wickets and entered a spacious yard. We were met by the owner Lajos. He was about 70. Tall, stoutish, he removed his cap and wiped his balding head and pink face. His bright blue eyes radiated good-natured slyness.

"For many years I worked as the chairman of the village council," said Grandfather Lajos. "At one time the cooperative here was organized and the countryside was converted to a socialist footing. I retired. But should I just sit with my hands folded? I remembered the old and decided to work with my own hands for the good of society. Then I still had my old senile plan. If you want to live a long time you must work and get busy. So I went to work with my steers...."

He receives six-seven head of calves from the cooperative. It also provides feed, grain and a plot planted with alfalfa.

We inspected the farm. The steers were in good condition and this was the second lot of the present season.

"I have already sent the first off," said Grandfather Lajos, "and it went for export to the USSR.... I have been fattening steers now for 10 years. Over this time, I recently figured, I produced around 100 tons of meat or, in other words, 10 car lots...."

There was pride in the voice of the farmer. We could imagine this train pulling out from the courtyard of the humble pensioner. His was a legitimate pride. His wife and daughter-in-law helped him. His son worked on the state farm. When the steers had been "brought up" to the necessary weight, a truck arrived from the cooperative. There were no problems with sales. The money was received immediately. Of course, the cooperative subtracts the cost of the feed and everything else.

Grandfather Lajos escorts us beyond the wicket, politely doffing his cap.

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The middle-aged woman Josefna Matrai has a large family and a large house. There is the housewife herself, a married daughter who is a teacher with her husband, the chief livestock raiser of the cooperative, an old mother and a mother-in-law. The Matrai family has preferred vegetables and not merely vegetables but rather those which are raised in a simple hothouse under a polyethylene film. At present the sweet pepper or famous Hungarian paprika is ripening here. In the winter the women raise seedlings, and early in the spring, lettuce. Later it is harvested and pepper is planted which produces three crops a season. In addition there are cucumbers, tomatoes and various greens. Incidentally, in many villages potatoes are grown under film and city dwellers can purchase the young potatoes in March-April.

"Vegetables spoil quickly and so they must be sold quickly?" I asked the housewife.

"We conclude a contract with the cooperative. At reduced prices it supplies us with the film, seed and fertilizer. And we are obliged to sell a certain amount of the crop to it. They send a vehicle at our request and haul off the vegetables. This is convenient and there is no spoilage."

It turns out that Josefna Matrai continues to earn her length of employment for a pension for the work on the farmstead plot under the contract with the cooperative. This is quite correct! Certainly her activities are essentially a home form of socially useful labor.

The farmstead economy has been raised into a special sector which is planned ahead of time, it is directed and constantly concerned with. I became acquainted with Viktor Horvai. His position is called the head of the sector for the farmstead economy. His charges live and work in six villages like Tengeri. They raise steers, piglets, chickens, rabbits, doves for meat, vegetables and fruits and berries.

"Each family sets its own plan for what it will produce and in what amount," Viktor Horvai explained to me. "We total up these plans and are able to draw up an annual program for our entire sector. I, as its leader, enter into professional relations with the poultry industry and its enterprises as a portion of the raised chicks goes to the cooperative and a portion is sold to the poultry industry. For example, the inhabitants of the village of Kovagoszoles specialize in rabbits. Virtually all of them are exported to Italy. The inhabitants conclude a contract with the cooperative which sets out their relations. In our cooperative there is also a combined feed plant. There is enough feed for ourselves, for the farmstead growers and some is sold to other farms. In addition to myself, the sector for the farmstead economy employs a veterinary technician, a veterinarian and specialists for rabbits and even doves. All of them have a higher education. Without the cooperative, its aid and leadership the farmstead sector could not develop."

Even during my first trip through the country I was convinced mainly of this: the uniqueness of the private subsidiary farms of the inhabitants of the Hungarian countryside consists in the close interaction of the large and small economy. These farms are not abandoned to drift. Here is your plot but then just make certain grass does not grow in the field. Small production cooperates closely with basic. It has become an inseparable part of it. Precisely the cooperative and the state farm have become the organizers of the home subsidiary production. The large socialist farm operates here like the conductor of an orchestra.

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"When the peasants joined the cooperatives, each person was allowed to keep the out-buildings," said the deputy minister of agriculture and the food industry, Janos Jeleki. "What should we do, let them fall into disrepair and collapse? No, that would not be efficient. Certainly the concept of a 'small producer' in our country includes not only the owners of a farmstead plot but in essence almost one-half of the entire Hungarian population: workers, the intelligentsia and inhabitants of not only the villages but also the cities. Let me explain. More than 15 percent of the small producers are persons who work actively on their farmstead plots, more than 10 percent are rural pensioners and a few less urban pensioners while around 30 percent are all sorts of urban residents. We call them not actively working. These are the owners of small orchard plots and those residents of towns who have an opportunity, in observing health rules, to raise pigs and rabbits. The feed is sold freely and you can grow what you like and sell it to the slaughterhouse. Our people are industrious. Why not utilize the industry of those who want and can work in their free time? For many this is also an unique holiday, a communing with nature and change in activity. In agriculture there are also crops which 'yield' only to a small producer including greens, raspberries, currants and early vegetables under film. He harvests them quickly and sells them quickly. Moreover, these plants require a great deal of manual labor. They are best grown by an entire family. Incidentally, each socialist nation has its particular features and the forms of small production also need not be the same...."

Of course, this is quite correct. I might be asked: with such a universal involvement in home production of meat, vegetables and other products, obviously in the society there will be rapid enrichment. But precisely this does not occur. As I have already said, there is a system of progressive taxation and this is an economic lever. There are also moral levers as here they clearly do not encourage those who endeavor to gain more.

What strikes the eye of the newly-arrived visitor? Both in the city and in the countryside the Hungarians voluntarily live humbly, without excess and without avid acquisitiveness. As in any family there are obviously black sheep. But there is also a definite common mood.

On the weekend I was kindly invited to an orchard plot by Doctor of Economic Sciences Bela Tompa who jokingly said that he, an agrarian scientist, was also among the urban dwellers "not actively working on the land." The "inactivity" of my friend Bela and his wife consisted merely in the fact that they did not sell the surplus fruit from their plot to the local buyers. There simply was no surplus. On the small Tompa farm, everything was orderly. On the 600 m he grew a little grape, some strawberries, an apricot tree, a walnut, several apples and a pear. For aesthetics and for beauty, space was also allocated for emerald-green lawn. Roses blossomed over this lawn and blue delphiniums grew.

There was a wooden, sharp-peaked "alpine" house with a mansard above. There was a fireplace and a wine cellar. Opposite was the Danube with its steamers and smart yachts. Nearby were similar small houses or of a somewhat different style. But everywhere were well-tended 600-m plots which one could look at infinitely. They were so attractive, these little pieces of land into which enormous human labor had been invested. The term "little active" is certainly not applicable here.

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I met with the director of the Economics Institute, Janos Marton.

"Possibly the most significant thing occurring now in the Hungarian countryside," he commented, "is the turning of it into an agroindustrial sector. At present, a large number of various enterprises has already been concentrated in our villages, basically those processing agricultural raw materials, including slaughterhouses, fruit canneries and combined feed plants. The woodworking industry, machine tool building and electronics are also more and more invading the countryside. This is a good thing! The youth stay put. The culture of rural society grows. In one family you can even meet a livestock raiser, a worker, a physician, an engineer and a teacher. While previously the city drew off the village people, now finally they have ceased rushing there, seeing their fate only there. Human life among nature provides health and a sense of well-being. Labor under these conditions is the most humanized."

In Budapest I went to the Agriculture Museum. They say that this is the only one in Europe. At the museum was an exhibit of children's drawings on the subject of rural labor. This interested me. Today's children, living in the tumultuous age of the scientific and technical revolution basically draw not combines and tractors, as one might expect, but rather horses and oxen. Horsemen are racing. An old man drives a haytruck. A boy is feeding rabbits.

Is this not the intuitive desire of a child for that type of labor which Janos Marton calls humanized? Is this not the eternal longing of man for nature, the very basis of our life on earth?

Financial, Banking Incentives

Moscow PRAVDA in Russian 22 Feb 82 p 4

[Article by PRAVDA correspondent V. Gerasimov from Budapest: "The Forint at Work"]

[Text] A bank is a bank. There are armored minibuses at the entrance. The employees are emphatically polite and smartly dressed. Bending a pile of money in their fingers and taking in a score of bank notes in a trained glance, with amazing speed and accuracy they count the forints.

The forint works well. It is sent where it is quickly repaid and brings income. The forint is the control, the estimates, the taxes, the deposits, interest and credits. It has become the tool by which the state endeavors to achieve balance and effectiveness in all the economic subdivisions, for disclosing resources and intensifying production and exports.

Without going into all the complexities of the financial mechanism, let us take up one of the roles of the forint, crediting. Our conversation at the Hungarian National Bank started with this question.

"During the past five-year plan," said Matias Timar, Chairman of the HNB [Hungarian National Bank] and member of the Central Committee of the MSZMP [Hungarian Socialist Workers Party], "the enterprises and cooperatives used more than 300 billion forints of their own savings for their development, construction and reequipping. Approximately 85 billion forints were given to them from the state budget as direct and

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indirect state aid. A special credit fund was also created with 120 billion forints. It is divided into two parts. One with 55 billion was the 'credit construction' which served to strengthen the equilibrium of the foreign trade balance, to strengthen exports and to produce competitive products. This total was called the 'competitive part'.

"When at the start of the five-year plan, this was first announced almost 150 enterprises immediately applied to obtain credits. But the bank, in examining the most enticing proposals, declared a competition for the best. The conditions for granting the 'competitive billions' were very strict. In the first place a study was made to see how many forints the enterprise itself could invest. Secondly what would be the profitability? For example, from the machine builders it was demanded that it be at least 14 percent. Thirdly, the invested funds should be paid back with foreign exchange earnings.

"By the end of the five-year plan, the bank has concluded more than 1,700 contracts for granting such credits," continued Matias Timar.

He also gave the figure of 100 billion forints. This was the amount of capital investments made to expand exports over the 5 years using the "competitive billions" and the enterprises' own funds. During this period they brought in direct and indirect exchange-earning exports totaling 3.2 billion dollars. Over the 5 years, another 10 billion forints were made available to improve the trade balance and expand exports. The loan repayment times became stricter as of this year. While previously the enterprises were to pay back the obtained credit in 3 years from the moment the new project went into operation employing the net receipts from the exchange earnings, now the capital investments should be repaid from the receipts from foreign exchange earnings in 4 years from the start of the project's construction. This encourages the enterprise to channel the credits into rapidly repaid capital investments, that is, into new projects which can be put into operation as quickly as possible.

"Our credit policy also helps to strengthen multilateral ties between Hungary and the fraternal nations and primarily the USSR and to carry out the Comprehensive Program of Socialist Economic Integration," commented the bank chairman in the talk.

During the years of this five-year plan, the credits from the second part of the fund (for expanding and strengthening fraternal economic ties, specialization and cooperation) have been channeled primarily into capital investments which would help to save energy and utilize production wastes and secondary raw materials. Many credits go for capital investments which help to replace and reduce imports from the capitalist nations and to further strengthen cooperation within CEMA.

At present, the role of the credit mechanism is diverse. The forint helps to improve the production structure and increase production efficiency. For this a special system of conditions for obtaining credits has been organized. It operates in the interests of strengthening contractual discipline between the enterprises and helps to reduce the amount of inventories and the time of their replenishing. The credits help to introduce innovations and inventions more rapidly.

"Since 1980," continued Matias Timar, "the HNB has begun to grant loans for 8 years for introducing Hungarian inventions, innovations and rationalization proposals also

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to those enterprises which do not have technical development funds, for example, the agricultural cooperatives or foreign trade associations, small plants and factories. Here the credit estimate can include the output of the prototype, the zero series and marketing research for the new commodity. If the profit from the innovation when put into production is higher than was expected, then the bank reduces the total interest payments thereby encouraging the enterprise to be bold and fast."

Moreover, credits for inventions have begun to be granted by the Central Exchange-Credit Bank, an affiliate of the HNB operating as a stock company. Here the capital for innovation was created from money of the State Committee for Technical Development and the Hungarian Ministry of Industry.

"Over the 2 years the fund has been in operation around 300 applications have been received from enterprises, institutes and private individuals," said Erzebet Birman, director of the Exchange-Credit Bank, in giving figures. "We rejected around 100, we deferred a few more than this and began to be actively involved with the remainder. We conclude an authorizing contract with the inventor and a contract for entrepreneurship with the introducing enterprise which we involve with a credit. An estimate is drawn up which considers the development stages. In the event of high sales, the bank for 3-5 years participates in the income. But in the event of a 'failure' we assume the expenditures. Now inventions are being selected which could provide a savings in raw materials and energy and quickly return a profit."

The turnover of the forint and the initiative of the finance workers have been felt by the public and they have not forgotten to make deposits knowing that this is advantageous. The State Savings Bank has become an active organizer of economic life. Its general director, Jeno Szirman, started his talk by this:

"Our depositors are convinced of the party and government economic policy. The forms of deposits and crediting for the public are constantly being broadened. For example, the youth deposits. These can be made by young people up to the age of 35. They conclude a "thriftiness contract" with the savings bank under which for 5 years they promise to deposit from 100 to 800 forints monthly. (This is 5-40 rubles.) Each year, 5 percent interest is paid and at the end of the period another percent as a bonus. Such a deposit helps to obtain, for example, preferential credit for buying a cooperative apartment or furniture for the young family.

"During this five-year plan, we expect deposits to grow by 50-60 billion forints. At the same time we will grant 75-85 billion forints to the public. For achieving such 'arithmetic' it is essential that the public's interest grow more rapidly and hence, deposits," said Jeno Szirman, "in order that the forint can turn over more rapidly."

Nine-tenths of the credits go for housing construction. For example, up to 50 percent of the cost of a house can be provided for building it for a family. But the maximum is 200,000 forints. Apartments can also be bought on credit. Incidentally, the savings bank itself builds apartments using its own funds. During this five-year plan it will put up almost 60,000 of them. Some 50 percent of the apartments are sold, as a rule, to the workers through the local councils on easy credit terms (1 percent per annum). Along with the Komsomol, actions are carried out to sell reduced-cost apartments to young families.

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The savings bank actively strengthens the balance between solvent demand and supply. Recently the Ministry of Domestic Trade, having coordinated its proposals with the HNB and the savings bank, broadened the range of goods which could be purchased on time payments. Young persons having savings accounts and newlyweds will be given advantages. They will not have to make any down payment at all. Usually it is essential to pay 10-30 percent of the cost of the product. The savings banks by various benefits provide an incentive to buy consumer durables on time payments.

A special system of credits has also been worked out for those who have farmstead or subsidiary farms for the purchase of "small" equipment, for building hothouses or quarters for animals.

"Are individual credits provided?"

"A rayon savings bank can grant a credit to a private individual for any purpose for 1 year up to 10,000 forints at 8-10 percent per annum," replied Jenő Szirmai. "Of course, we first study the financial possibilities of the client. And the annual interest will depend upon the purpose of the credit. We pay the bills ourselves."

Initiative, entrepreneurship and the search of the financial workers help the forint to circulate more rapidly and to better serve the state, the people and socialism.

Improvements in Retail Trade

Moscow LITERATURNAYA GAZETA in Russian No 11, 17 Mar 82 p 13

[Article by special LITERATURNAYA GAZETA correspondent L. Velikanova: "The Full Stores of Budapest"]

[Text] Sociological research has shown that shopping takes up very little time for Hungarian women, just 9 percent of the time which they spend on housework as a whole. And incidentally why just for women? An important role in saving time for both women and men for more useful undertakings than standing in line and traveling from store to store in Hungary is played by trade itself or, more accurately, the principles and methods of its organization.

What do these consist of?

1. What the Director Can Do?

Not far from the hotel where I stayed during my week-long trip to Hungary was a small ABC store. I remember this probably more than any of the others. Like all the ABC, this was a store selling daily necessities such as food and essential household articles. In essence it was a self-service department store but in contrast to those which are built in the USSR, a majority of the ABC take up comparatively little area and the goods in them are displayed around a circle. Initially, by the entrance, is what one might need every day such as soap, shampoo, toothbrushes, razors and razor blades, rubber pants for babies, sponges, dishwashing powder and some utensils, then spices, refrigerated beverages and further on frozen food and confectionary articles, dairy and other products.

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I must admit that this small store where I went every day, whether I needed to or not, provided me with some aesthetic joy. Everything in it was displayed efficiently, with intelligence, everything was in its place and not in a heap but also without excess fussiness so that you could easily take what you needed. And day after day there were clearly more and more essential goods.

Who was supplying the store with such a broad and diverse assortment? How was it possible to replenish the stocks every day? Was "my" week particularly good or was that always the case?

As it turned out, it was a completely ordinary week and the amount of goods always increases day by day. On Monday, as a rule, there are few purchasers in the store and sales are less; on Tuesday there are more goods, while on Wednesday, Thursday and Friday there are many so that everyone so desiring can complete their basic purchases and not spend the weekend in stores (incidentally, they close early on Saturday and are always closed on Sunday).

For example, the store receives fresh frozen prepared dishes from three partners, the director explained to me, one of which was located in Budapest and the other in small rayon centers. The products are always of good quality and there are virtually no hitches in delivery and for now the store prefers these suppliers. Why "for now"? Because, better ones can appear. The leaders are given free independence in selecting their partners. They determine what is to be purchased, how much, where and at what price.

In Hungary there are thousands of ABC, and externally they are all very much alike, but at the same time you will not find two that are the same in the entire nation. One store, in addition to the ordinary range of goods, is famous for its selection of dairy products (in Hungary, there are 210 varieties), while in another you will always find household novelties and in a third particularly good fresh frozen prepared food. Everything depends upon where the store is located, who are its customers and what trade points have been opened nearby. Hence, the trade policy which is determined by the store's director, his deputies and the department leaders.

Independence is one of the bases on which the operation of the trade organizations is based in Hungary. "Our aim," Dr Herner Erms, the deputy head of one of the main administrations of the Hungarian Ministry of Domestic Trade, explained to me, "is for the leaders of the individual trade units to have the broadest rights and to be materially interested in the results of their work."

At present no one sets the plan "from above" for either the trade associations or the stores but rather it is worked out "from below," considering actual possibilities. Here, all material incentives are aimed at constantly increasing trade turnover. The basic suppliers of goods as before remain the wholesale organizations but no trade unit is "locked into" its "own" supplier. Everyone can purchase goods from whomever he wishes: from the wholesale base or directly from the industrial enterprises.

The range of duties and tasks of the trade organizations is also not set particularly rigidly. For example, a wholesale base can open up its own store while a store can organize small production or assign a portion of its floorspace as a storage area for a certain type of commodity, thus becoming a competitor of wholesale trade.

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The stores have the right to conclude a contract also with the owner of a farmstead plot, for example, the owner of a cherry orchard. Incidentally, there also may not be a contract. If the owner of the orchard, having obtained a large crop, himself brings the cherries to the store, the director, seeing that they are good, has the right to purchase them in order to sell them at a profit for the store (and for all its workers).

Here the purchaser also benefits. He acquires fresh cherries right off the tree and, moreover, inexpensively and possibly even cheaper than if the fruit had come from a warehouse since in this instance the store does not have to pay the wholesale surcharge.

These are the rights, and now the duties which they impose. If the director of the same ABC has not found a reliable supplier, he will not be able to put the blame for poor supply or overstocking on the superior "boss" who shorted him or did not give him something. In the former understanding there are no superior "bosses" at all.

On the other hand, in a new sense there is of course a superior organization. In the sense that it is on a rather high level in order to see, understand, predict and recommend. Yes, the Hungarian ministry of domestic trade does not dictate how much should be sold to whom but rather informs the enterprises on the planned targets, trends, expected changes in prices, demand and market conditions. On the basis of the overall national economic plan, the Ministry of Domestic Trade works out a general concept of the sector or, if you wish, its policy. And also there is a system of economic control and an organizational structure.

## 2. The "Centrum," "Skala" and Others

...I arrived in Budapest not long before New Year's when the feverish pre-holiday buying was in full swing and everyone was buying everything.

The well-dressed Saturday crowd moved through the streets, flowing from store to store and becoming evermore festive from the abundance of bright orange-black and mottled blue-red polyethylene bags in which purchases are usually packaged here. If you buy two pairs of pantyhose they are put in a small bag. A man's shirt goes in a larger bag. A dress in a large generous bag so that it does not become wrinkled on the way. The bags are carried all mixed up, two or three in each hand: orange-black, blue-red and again orange-black. Although the color of the bag is not accidental, and determines where they came from, to a certain degree it reflects another feature and one of the principles in organizing Hungarian trade, namely its multi-sector nature. You can buy a skirt in a state store, a blouse at a cooperative and a belt and buttons in order to be "a little different," in a small private shop. Around two-thirds (62.8 percent) of the commodity turnover in Hungary comes from the state stores (they are represented, in particular, by the orange-black packages of the "Centrum" Trade Association), a little more than one-third (36.4 percent) is from cooperatives (the elegant bright firm bags of "Skalakoop") and a little less than 1 percent from the small private stores (the bright little packages without inscriptions). In complementing each other and in endeavoring not to fall behind, the two major trade sectors (state and cooperative) and one tiny sector (private) have formed a diverse network of stores which, upon entering, you do not want to leave.

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Supply and demand, particularly for daily articles, are balanced. And for all other items, the scarcity here, if it does occur, is not long and aggravating but rather temporary. You might not be able to immediately purchase a particularly fashionable thing or find one's size in the first store. But in principle any purchase, from a package of milk to furniture, did not present a problem.

Here an important role was played by the consumer cooperatives which were able to successfully apply the new management methods and the independence granted them. Cooperative trade began to develop at such a rapid pace that it began to outgrow the rural locality and it literally invaded the cities, applying a good deal of pressure on state trade in them. Even in Budapest one out of every purchase is now made in a cooperative store, while in the town of Mako, for example, it is even greater than one out of two (67 percent of the purchases).

In addition, when I first read in our press a rave article about the Budapest Skala Department Store, I was simply amazed that it belonged to the consumer cooperative or, as we would know it, the Tsentrosoyuz [Central Union of Consumer Cooperatives] (in Hungary, this is Sevos or the Hungarian Council of Consumer Cooperatives). "How could it be?!" I said in amazement. "This magnificent multistory trade center which so struck me 2 years ago during a tourist trip through Hungary, really does this super department store, the best in Budapest, belong to just a consumer cooperative?" I recalled our few city "Summertime" stores and I wondered how our Tsentrosoyuz could show such, so to speak, "criminal" inefficiency? Why didn't Tsentrosoyuz build its own department stores in Moscow capable of competing with GUM [State Department Store] as did Skala and Kovrinu competed with the other major state stores in Budapest?

It was explained to me that there was nothing criminal in such inefficiency of Tsentrosoyuz. On the contrary, it would be criminal for them to invade the city where it is of course much easier and better to trade instead of developing trade in the countryside, the reason they were created.

For this reason the first question which I asked almost before I crossed the threshold of Sevos was precisely about this: was it right for the consumer cooperatives to carry on urban trade so widely and did not this harm the supply of goods for the rural inhabitants?

It turned out that the question of where the cooperative departments stores should be--in the countryside or in the city--had been discussed rather long here. On the one hand, it was inconvenient to take the bus into the city to shop, but on the other, it was very unprofitable to sell outer clothing, consumer durables and high-fashion goods in each village. Naturally no one wanted to wear all the same coats, dresses and suits, but it was impossible to diversify the goods in stores serving, for example, 500 persons, the inhabitants of a small village. Moreover, over the last 10 years, approximately one-half of the cooperative members had begun to travel to work in the towns or moved into them completely, and this trend involved millions. And the number of towns themselves doubled as the rural population points gained the status of a town. Does this mean that the cooperative stores should be shut down in them?

Thus the decision was taken which was to the liking of all: to sell what was needed every day for the family as close as possible to the residents while the remainder

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would be in large department stores and specialized form stores which had a large range of goods. Some 50 of the 80 such department stores operate in large rural population points and 30 are in towns and cities. The consumer cooperatives also allocate capital investments following this same principle: two-thirds as before go to develop rural trade and one-third for the cities.

Over the last several year the Skalakoop Association has become the largest unit of Hungarian cooperative trade and it includes 54 department stores scattered across the entire country. The largest of them, of course, is located in Budapest. This is the famous Skala, the four floors of which sell 120,000 different types of goods. Each day the department store is visited by 100,000 persons, 35,000 of whom leave with purchases and this fully conforms to the European level.

Now that some experience has been acquired, they have begun to talk more confidently. If the consumer cooperatives had not created large trade centers in the towns and cities, they could not carry out rural trade as successfully as they do now. In the first place, a portion of the "urban" profits goes for its development and for this reason there are more rural stores. Secondly, the assortment has been enlarged and even the list of necessities sold in the countryside is now different than the city one. For example, a rural ABC is in no way worse than what I saw in Budapest but in addition it would sell tools needed to work in the garden.

It must be said that the example of cooperative trade in the best manner has been reflected in the work of the state trade organizations. A strong competitor has appeared and now there is a fight for the customer. For example, it was essential to expand the food sections of all 36 department stores in the Centrum Association, to improve their assortment, to more frequently change the suppliers of goods and more freely establish direct ties with the enterprises.

### 3. The Search for Incentives

Why did the consumer cooperatives adapt more quickly to the appearance of independence than did state trade? There are several explanations for this, including the vertical principle of organizing the consumer cooperatives, when the entire process of creating the good is often in their hands.

The Morozmako Consumer Cooperative which I happened to visit serves 50,000 residents, including 20,000 rural ones. Some 15 years ago the commodity turnover of this cooperative was 65 million forints and now it is 865 million, that is, it increased by 12-fold. How did this happen?

The Morozmako Cooperative not only buys and sells pork (15,000 head) but also raises piglets on its subsidiary farm and in addition itself processes one-half of the meat and sells it in the form of sausages (including its famous "salami") and other meat products. In addition, Morozmako purchases and processes vegetables and poultry, it has a vegetable cannery and a small area for raising mink. At present, the cooperative is building several projects to produce plastics, wood and metal articles. All of this is in high demand, however it is essential to hurry as the other cooperatives are also not sitting idle.

For example, take spare parts which were always in scarce supply as it is not advantageous, as is known, for the large enterprises to produce them. The cooperatives

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have eliminated this scarcity in 5 years, having organized small-scale production which manufactures spare parts in small numbers. Or, for example, wood products. Quite recently, for example, such a minor detail as hangers were imported from abroad. Now Hungary even exports hangers. Shovels have ceased being a problem. Belgium purchases wooden dishes in Hungary which have long disappeared from the Belgian stores.

All of this has become possible due to the flexible price system, that is, due to the fact that the prices for goods which are not primary from the standpoint of the standard of living and in addition are subject to changes in fashion are calculated and set by the producers themselves, in considering all expenditures. Labor-intensive articles which no one wanted to manufacture have become "advantageous" and have reappeared on the shelves.

..."Teseke," "tesek," "tesek." I do not know Hungarian but I could guess that this probably meant "please," or "what would you like?" or "how can I be of service?" On Saturday, soon a holiday, there are as many people as in our Saturday TsUM [Central Department Store], but as soon as you go up to the counter with your purchases (it is self-service in Skala), you immediately hear the polite but insistent: "Teseke!" They want to serve you.

Why are they so enterprising? Because the entire material incentive system is aimed at this.

The wages of a saleswoman consists of a fixed rate which depends upon length of employment, skill, position held and a so-called mobile, that is, bonus part. This mobile part is figured as a fixed percentage of the increase in commodity turnover. The upper limit of a bonus is very high and at the end of the month it is possible to receive a double wage. Only it is very difficult to achieve this as there is virtually no scarcity and the purchaser is selective. Hence, the increased attention to the customer and the desire to smile at him and the insistent although completely polite "tesek."

Ultimately, each month everyone receives approximately 40 percent of a surpayment. In addition, the section head has a bonus fund for persons who have particularly distinguished themselves. Such individual bonuses make up from 30 to 60 percent of the wage rate. There is also a quarterly bonus from 15 to 40 percent of the surpayment received by those for whom the indicators in the socialist competition were the highest. Of course, the growth of commodity turnover depends not only upon the ability to sell but also what one is selling. Since this is the concern of the heads of departments and leaders of the department store, their wages are organized according to the same principle: a guaranteed salary (approximately one-half of the total remuneration) and a mobile part which also is calculated as a certain percentage of the increase in commodity turnover and is paid according to the results of economic activities. It is difficult for the leaders to reach the bonus limit. Hence their desire to constantly increase the selection, to broaden the assortment and to supply their shelves and counters with those goods which will be purchased even with a saturated market.

#### 4. The Risk Fund and Rules of Conduct

The price reduction system which has been carefully worked out in trade is also aimed at this "get them buying" (the goods should be moved!).

First of all there are the seasonal price reductions: spring (February) and autumn (August). In all the trade organizations during this time for two weeks goods are sold at prices cut by 20-40 percent. After this, for some goods the prices are returned to their former levels and others are not. For example, in December it is possible to buy unsold leather coats (without a lining) at the so-called advertised price which had been lowered in August.

Moreover, each department store can select a group of goods and for a certain time reduce their price. For this the leaders of the departments have a so-called risk fund. The rates for forming it depend upon the type of good (they are higher for clothing since dresses and suits more quickly go out of fashion while they are lower for advanced technical articles). Using the risk fund it is possible to cover the expenditures related to reducing the prices and selling slow-moving goods.

To put it briefly, in entering any store you almost always see goods which today are being sold more cheaply. During one week this can be shampoos, laundry powder, or pantyhose, and next week, articles made from artificial fur or suede, and later on certain types of footwear and headgear. The department leaders and the administration of the store determine what good is to be marked down and by how much. Also upon their initiative production can be organized and output started for a certain type of commodity.

For example, let us take the women's dress department. Let us assume that its leader is not satisfied with what is being received from the wholesale enterprise. To him these styles seem out of date and he feels that they will sell poorly. He has his own idea and he "spotted it" in the last fashion magazine. Now it is up to him. He has the full right to find a shop which will develop the style for the season. No one approves either the style or the agreement with the shop. The department leader makes the order at his own risk and peril as the firm (in the given instance, Skalakoop) will pay for the expenses as it has confidence in the taste of its employee. Well, if he has made a mistake and the new dresses are not to the taste of the buyers, then he is the first to suffer and he has let down his sales personnel. If he makes another mistake, they will cease to have confidence in him and will appoint as leader the one who best forecasts demand. "So, he must 'take a risk' and not sit in a comfortable chair," summed up Comrade Bogner, deputy general director of the Budapest Skala Department Store.

In saying farewell, I became acquainted with the "Salesperson Rules of Conduct" worked out and approved for all the department stores in the Skalakoop system. They were very strict. During the workday, a salesperson can, in addition to the lunch break, be absent from the department only to drink a cup of coffee once or twice or another one or two times, without fail informing the department head of this and obtaining his permission. It is categorically prohibited to leave the building or to move from department to department. Even in one's own ABC, which is located in all the Skala department stores on the first floor, purchases can be made only after work (the ABC is open one hour longer).

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Today the shoppers of Hungary are served by 66,000 stores. Commodity turnover per salesperson is an average of approximately 1.5 million forints a year, that is, 125,000 a month. Yet in the Skala Department Store which I visited in the town of Mako, the output of a salesperson is 185,000 forints a month, although this department store, in the words of its director, is far from in 1st place and is only in 20th place. "It is not easy to work here," said the director then, "as in contrast to the high earnings of our best salespersons some prefer a calm life in an ordinary store." As they say, each to his own. But as a whole, the economic management methods lead to a situation where the hopes of a calm life gradually abandon everyone who wants to remain a trade worker.

In concluding the talk, I asked myself: Is it possible to simply adopt the experience of our Hungarian friends and transfer this to ourselves? Certainly this is not the case. Our nation has different scales, traditions and finally its own specific tasks. But still much in the system of organizing trade in Hungary is worthy, in my view, of close attention and serious study. In particular, of great interest are the direct ties with suppliers, broad independence in choosing partners, flexible material incentives, the practice of trade markdowns and the experience of the consumer cooperatives. These forms clearly merit our using them whenever possible, in further developing and adapting them to our own conditions. This is how they also proceed in Hungary when they borrow the experience of friends, including our own Soviet experience.

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## CONSUMPTION TRENDS AND POLICIES

### ECONOMIC PLANNING OF CEMA COUNTRIES IN AGROINDUSTRIAL OPERATIONS

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[Article by Ivan Nikolayevich Buzdalov, doctor of economic sciences, senior scientific associate of IEMSS, USSR Academy of Sciences; and Mikhail Yefimovich Bukh, candidate of economic sciences, department head, NII [Scientific-Research Institute] of TsSU SSSR [USSR Central Statistics Administration]: "The Economic Mechanism of the Agroindustrial Sphere"]

[Text] In the agrarian policy of the Communist and workers parties of the socialist countries, ever-increasing attention is being devoted to increasing the effectiveness of the economic mechanism of agriculture and the entire agroindustrial complex.

There operates in the single system of the national economy of a particular socialist country a single economic mechanism, and application is made of single forms and methods of the planned social organization of production and exchange of labor activity, which encompass all levels and links in that system. At the same time, to the degree that it is rightful to isolate agrarian relations from the overall system of socialist production relations, it is completely natural to carry out a special consideration of the economic mechanism of the development of agriculture, and, under conditions of the deepening of its integrational links with the related branches and spheres in the national economy, the economic mechanism of the agroindustrial complex. When analyzing the specifics of the economic mechanism in the agroindustrial sphere and especially in its basic link, agriculture, a factor of fundamental importance is the taking into account of the vast variety of concrete conditions of production, which substantially influences the nature of the formation, making, and implementing of the planned economic decisions, the providing of economic incentives to production through a system of prices, the distribution of income, etc. In turn, these specifics exert an influence upon the fundamental aspects of the operation of the entire economic mechanism in the national economy.

A very important link in the economic mechanism is planning, and the forms and methods of carrying it out. Studies by economists in the socialist countries and the positive experience derived from the changes in the economic mechanism of the agroindustrial sphere indicate that their initial point is the use of those methods of planned administration, forms of making and implementing planned

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decisions, and evaluations of the results of labor which, in all links of economic-planning activity, are based on incentives and interests. The essence of this orientation consists in the more consistent observance of the principle of democratic centralism, in the elimination of excessive administrative regulation of the work performed by the primary production links, which are supported through a system of economic contracts and through the mutual material responsibility of all the partners participating in the reproduction process of the APK [agroindustrial complex] system. The necessity for improving the economic mechanism specifically in this direction was indicated, in particular, at the November 1981 Plenum of the CPSU Central Committee. In his speech at the Plenum, L. I. Brezhnev remarked, "An important place when developing the food supplies program should also be given to such large-scale problems as the improvement of the economic mechanism and the system of administration -- the administration of agriculture and the agroindustrial complex as a whole. And, of course, administration at the local level."

Recently in the socialist countries steps have been carried out, or are being planned, for the improvement of planning, and for involving the collectives of enterprises and APO [agroindustrial associations] in economic-planning activities. When forming and implementing planning decisions and concrete assignments, more and more active use is being made of economic levers, interests, and incentives, and there has been an increase in the economic independence of the production collectives, as a result of which there is a more consistent carrying out of the principle of democratic centralism. An important form is the economic contract, which acts as a direct economic lever for the well-substantiated formation of the assignment, as an instrument of planning.

When evaluating a particular approach to the use of the economic mechanism, and primarily its chief link -- methods of planning -- from scientific positions, it is necessary to take into consideration the results of the application in the practical situation of the corresponding methodological concepts. In this regard, something that deserves attention is the study and dissemination of the experience in organizing the economic-planning interrelations in the agro-industrial sphere in VNR [Hungarian People's Republic]. It is specifically that experience that contributed to the skillful coordination of the work performed by the Hungarian agricultural cooperatives and enterprises, as was noted in the Report of the Central Committee to the 26th CPSU Congress.

During the past 15 years the increase in the harvest yield of grain crops in Hungary came to approximately 20 quintals per hectare (with that increase being achieved from a level that was comparatively high at the beginning of the economic reform: in 1966-1970 it constituted an average of 25.4 quintals per hectare). In other European CEMA countries, the harvest yield of grain crops increased with the limits of 7-10 quintals per hectare. On the new economic-organizational basis that was linked with the orientation of the economic mechanism on the final results, high overall growth rates for agricultural production were assured. During the past two five-year plans they came to an average of 4 percent per year. During the 1960's Hungary was a country that was a net-importer of grain, but in recent years, with a production of more than 1.2 tons of grain per person, Hungary became a net-exporter of that basic product. The level of meat production per capita of population was more than 140 kilograms in 1978-1980 (increase of more than 50 kilograms as compared with 1965).

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The fact that the results of the rapid and -- as has been shown by the dynamics of the production costs of output and profitability -- more effective development of agriculture and the entire agroindustrial complex were achieved thanks to the comprehensive improvement of the economic mechanism, is attested to by the data concerning the amounts of attracted resources. During the period indicated above, for example, capital investments in the agriculture of Hungary dropped from 18 to 15 percent of the overall volume of investments in the national economy. All this attests to the indisputable effectiveness of the economic approach to the making and implementation of planning decisions, when provision is made for the active manifestation of such a motivating force in the economic mechanism as interests, personal self-interestedness, the special importance of which in the course of communist construction was pointed out by V. I. Lenin\*. The broader the horizon for the manifestation of interests -- primarily the material ones -- is created by the planning methods that are being employed, the more dynamic the development and interaction of the entire system of socialist production relations and the more effective the functioning of the productive forces and the method of production as a whole.

The basic peculiarity of the economic mechanism of the agroindustrial complex in Hungary consists in the fact that the state carries out the planning of the national economy not by means of the direct informing of the specific executors of what their planning indicators are, but, rather, by means of using such economic levers and incentives as the economic contract, the controlling of state deductions from enterprise income, the regulation of the part of the income remaining with them, various fixed payments and taxes (payment for fixed and working assets, income tax, etc.), price policy, credit system, etc.

Enterprises and organizations in the agriculture and food industry of Hungary independently develop their own annual and five-year plans. Those plans are not approved by superior organizations, which carry out monitoring functions with regard to their execution. The procurement organizations and the trusts in the food industry, on the basis of the plans received from superior agencies, conclude contracts that are based on equality between the contracting parties, with the SKhPK [agricultural producers cooperatives] and state farms for the sale of specific types of output. The cost-accounting form of implementation of the planned assignments guarantees the observance of the material interests of the cooperatives and state farms and contributes to the formation of such an agricultural division of the statewide plan in which the needs are more completely coordinated with the real capabilities of production and with its concrete conditions.

An important area in improving planning is the inclusion in this process of the purchase and supply-and-sales organizations on a cost-accounting basis. As has been shown by the experience in Hungary, under conditions of the broad, active use of economic methods, the cost-accounting principles of plan formation and implementation, direct contacts, and economic-contract forms of exchange of activity, the need for purchasing organizations and other intermediaries completely

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\*This does not contradict the determining role of social interests. In this instance we have in mind the assumption that, the more completely personal self-interestedness manifests itself in the system of interests, the more successfully the collective and social interests are implemented and the highest goal of production under socialism is achieved.

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disappears. But in the event that they are retained, only complete cost accounting (and cost accounting is a method for the planned running of the economy) can convert the procurement and supply organizations into active participants in the system of planned administration, which have a direct self-interest in the improvement of the economic-planning work, the efficient placement of the plans, the improvement of the structure of production and technology, etc.

The course of the Communist and workers parties in the socialist countries, aimed at improving planning, has led in recent years to noticeable qualitative shifts in the direction of bringing the CEMA countries closer together with regard to the economic mechanisms of the development of the agroindustrial sphere. This is of great importance not only for increasing the effectiveness of these mechanism within each country, but also for forming an effective economic mechanism for international cooperation in the agroindustrial sphere within the framework of the socialist economic integration. Obviously, at such time it is necessary to orient oneself not at some medium alternative, but upon the more effective decisions that have been developed and that are being employed comprehensively in the individual countries.

Substantial changes after the March 1979 Plenum of the Central Committee of the Bulgarian Communist Party occurred in the mechanism of the planned administration of the agroindustrial complex of Bulgaria. Previously the system of planning in the NAPK [national-economic agroindustrial complex] of Bulgaria was characterized by the fact that the central agencies developed the detailed indicators in the plans for the districts, and the districts developed them for the agroindustrial complex. For purposes of developing the economic initiative of the collectives in the new economic mechanism there is an intensification of the role played by cost-accounting levers and incentives. The APK and the other enterprises in the agroindustrial sphere are informed of only four consolidated indicators, including the mandatory sale of a number of basic types of output (no more than eight types of products, depending upon the farm specialization). All the remaining sections and indicators in the plan, including such ones as the sowing structure, harvest yield, quantity and productivity of livestock, production costs, profit, capital investments, and the number of employees, are developed by the agroindustrial complexes themselves. The new economic mechanism stipulates a sharp increase in the role played by prices and other economic levers in planned administration. The mentioned limited number of assignments for the APK are implemented on an economic-contract basis of interrelations with the appropriate purchasing and other organizations. As was noted in the Report of the Central Committee of the Bulgarian Communist Party to the 12th Party Congress, within the near future it will be necessary "to make complete application of the basic principle and requirement of the new economic mechanism -- the changeover of all types of economic and social activity to cost accounting, the very core of which is the paying for oneself".\*

The measures for improving the planned administration are also being carried out in Czechoslovakia, GDR [German Democratic Republic -- East Germany], Romania,

\*T. Zhivkov, *Otchet Tsentral'nogo Komiteta Bolgarskoy kommunisticheskoy partii XII s"yezdu i predstoyashchiye zadachi partii* [Report of the Central Committee of the Bulgarian Communist Party to the 12th Congress and the Tasks Confronting the Party], Sofiya Press, 1981, pp 34-35.

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and other CEMA countries, and this attests to the undoubted progress in bringing closer together the economic mechanisms of the agroindustrial complex in those countries. However, a large amount of work remains to be done, primarily work involving the comprehensive use of the economic mechanism, and the intensifying in that mechanism of the role played by cost-accounting levers and incentives.

In conformity with the decree of the CPSU Central Committee and the USSR Council of Ministers that was adopted in November 1980, entitled "Improving the Planning and the Providing of Economic Incentives for the Production and Procurements of Agricultural Products," steps are being carried out to eliminate the excessive guardianship over the farms. There has been a reduction in the number of indicators that are communicated to the kolkhozes and sovkhozes in a centralized procedure. For kolkhozes, for example, they are limited to the volume of purchases of agricultural products and the quantity of basic material-technical means to be delivered. For sovkhozes, in addition, plans are specified for the wage fund, profit, and financial limits of capital construction. Instead of a large number of plans, a single plan is established for purchases of output at all levels of planning of production, and norms lists for material-technical support and capital construction are employed.

Since 1981 there has been a new procedure, according to which the collectives in the subdivisions are granted the right to determine for themselves the size of the bonuses and the overall earnings, with a consideration of the actual contribution that was made to the final result by the activity of the collective, and a consideration of the level and effectiveness of production. There has been an intensification of the sanctions applied as a result of poor work. The farm managers and specialists will receive bonuses not for overfulfillment of plan, but for an increase in the volumes of sale of output and profit received. In the implementation of these principles, a factor that is of decisive importance is, of course, the change in the forms of executing the planned assignments on the basis of increasing the role of the economic contracts in the process of planning.

An important area for the further improvement of the economic mechanism in the agroindustrial sphere of the CEMA countries is the guaranteeing of the more effective combination of the centralized plan with the development of the economic initiative of the collectives at the enterprises in forming and fulfilling it. Among the concrete measures being successfully carried out in Hungary, one that is of determining importance is the limitation of the directive assignments to enterprises and associations in physical indicators, the communicating of those assignments to the appropriate departments and regional agencies of administration, and the use in implementing them of cost-accounting methods that grant equal economic conditions of management for the planning-and-procurement and supply-and-sales agencies, and the enterprises of the APO [agroindustrial associations].

A special role in the comprehensive improvement of the economic mechanism in the agroindustrial sphere is played by the intensification of the functions of the economic levers, which were constructed primarily on the principle of the equivalency of exchange. Therein lies one of the decisive conditions for the

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consistent application of cost-accounting methods in planned administration, and the directed use of the motivating basic of the entire mechanism -- interests.

At the present time, basically as a result of the lack of perfection with regard to prices, there has been a break in the direct link between material incentive and profitability, as a concrete expression of the repayment principle and a generalizing indicator of the effectiveness of production. One should note that the improvement of pricing is not a local question of reinforcing the cost-accounting relations in the APK system, but, rather, one of the key national-economic problems of socioeconomic development and the application of effective cost accounting in the entire national economy. What is required here is the consistent carrying out of a series of economic-planning, statewide, centrally carried out measures involving the application of a price system that corresponds to the objective natural laws underlying the formation of prices. These measures touch upon such an important problem of improving the economic mechanism as the systematizing of retail prices of foodstuffs and articles made from agricultural raw materials.

For the European CEMA countries during the past 20-year period a typical feature was the considerable increase in purchase prices. That contributed to the reinforcement of the economic foundations of cost accounting in agriculture. At the present time a task that is becoming a very important one is the creation of a more flexible system of purchase prices, which is based on the expenditures of live and embodied labor, and also which takes into consideration the capital requirements of output, including in the assets the land in its monetary evaluation. The complexities in improving the purchase prices lie in the fact that in a number of CEMA countries the production costs are not computed by all farms. The normative production costs are determined for random groups of enterprises. Their more precise computation requires an increase in the number of farms that establish the production costs of the output being produced, and the work on the basis of cost accounting includes the necessity of computing the production costs of the output on each farm.

The role of prices as an incentive presupposes definite deviations from the basic price, particularly through establishment of bonus markups to be applied to it. The principles of paying such bonuses are different in various countries. In Hungary, East Germany, and Czechoslovakia they are computed for the planned increase in production as compared with the previous period. For production of output in excess of the planned volume, no increased prices or markups are established there. In Bulgaria and Romania, and prior to 1981 in the USSR, in addition to the basic prices for a number of agricultural products, bonus markups were applied for the production of output in excess of plan. The encouragement of the planned increase in production by means of prices appears to be more effective, inasmuch as the markups for sale of output in excess of plan do not encourage the farms to accept intensive plans and are, in essence, a return to a double price system.

The changeover of agriculture to an industrial base is closely linked with the intensification of the integrational processes in the branch and with the formation of interfarm enterprises and agroindustrial associations. In this connection, during recent years there have arisen in the capitalist countries new

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aspects of improving the pricing of agricultural output, which aspects are influenced by the fact that, through prices, it is necessary to guarantee the equal interest that the partners have in cooperative actions, primarily income that is proportional to the contribution made by each participant per unit of expenditures invested in the obtaining of the final results of the economic activity. A factor that takes on great importance is the establishment of contractual settlement prices. The degree of correctness with which the settlement prices are established decisively determines the material self-interestedness of the partners in the cooperative venture.

An important question when establishing the settlement contract prices is their interrelationship with state purchase prices. Apparently, the construction of the settlement prices exclusively on individual costs without a consideration of the existing purchase prices can lead to a break between the economy of the associations and the real reproduction process within the framework of the national economy, and this, in the final analysis, will lead to undesirable consequences. Therefore, when establishing the settlement prices, it is desirable to orient oneself on the overall price policy, on the economically substantiated level of state purchase prices. With the price relationships that have developed, it is possible to include in the settlement price the purchase price, plus or minus a markdown or rebate, proceeding from the individual costs and the nature of the specialization of the partners in the association.

The chief area for improving pricing is the application of a well-substantiated system of purchase and other sale prices, including the correct establishment of prices of producer goods that are delivered to agriculture, and for the services rendered to it. Unfortunately, the correlation between industrial and agricultural prices for the output produced by the APK [agroindustrial complex] in the CEMA countries, as a rule, is formed to the advantage of the industrial branches and that lessens the incentive principles of the economic mechanism.

In the establishment of prices it is especially important to take into consideration of the chief specific features of agricultural production -- the limited nature of the land, with its dissimilar natural fertility, that is, social conditions which objectively lead to the formation of differential rent. Therefore planned pricing cannot orient itself on the cost of production of output on average land (in any instance, for the USSR). With this kind of orientation an inevitable result is the preservation of subsidies and other channels, outside the cost-accounting system, for redistributing the net income, and that weaken the economic role of price as an incentive for intensifying production, for specializing it, for encouraging an increase in effectiveness, etc. At the same time this gives rise to the differentiation of the economic and social development of the farms that have at their disposal land of worse or better quality.

The orientation, in pricing, on the products of agriculture which are produced on the worse land presupposes the transfer of rent to the social funds by means of its direct extraction, by means of the differentiation of the rates for rental payments depending upon the evaluation of the land. The income derived by the farms and by the state will remain approximately the same, but the very mechanism of regulating the rental relations with the use of a single price will have a more active effect upon the increase in effectiveness.

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An important role in the providing of economic incentives for agroindustrial production in the CEMA countries is played by the credit system, which is becoming a more and more effective regulator of production. There has been a fundamental change in the structure of credit: there has been a sharp increase in the percentage of long-term investment credits and a reduction in the share of short-term ones. The interest rates for credit are becoming more substantiated, inasmuch as the reduced rates, which are divorced from the overall normative coefficients of effectiveness, nullify the encouraging role of credit.

An essential role in the economic mechanism of the agroindustrial complex of the CEMA countries is assigned to taxes, in the form of which deductions to be paid into the state budget are made. Experience shows us that the incentive importance of the system of taxation is greater in proportion to the extent to which the size of the taxes is closely linked with the profitability and with the level of profitability. This principle is being carried out most consistently in Hungary.

In Bulgaria in the mid-1970's a single task for the APK was established depending upon the profitability of production. In East Germany the base for computing the tax since 1981 has been the farms' profit, rather than the gross income, as had been the case previously.

Another typical feature in the development of the system of taxation is the increase in the importance of the land tax. In Hungary and East Germany, for a long time, a part of the farms' net income has been extracted and paid into centralized state funds on the basis of the land tax. In 1980 in Czechoslovakia the land tax collected from enterprises running farm on fertile soils was increased by 25-30 percent, including 70-90 percent for those on fertile *chernozems*. Factually speaking, this is a concrete form of rental payments.

A factor of particular importance in increasing the effectiveness of the economic mechanism is the intensification of the mutual self-interestedness and responsibility borne by all links in the economic and administrative structure of the APK in the final results. In directives dealing with the Sixth Five-Year Plan for Hungary it was emphasized that, when carrying out the control functions, the agencies of planning administration must bear the direct responsibility "for their own economic resolutions and the effectiveness of their economic activity." Contract relations are the legal and economic form of carrying out this principle.

Scientific generalizations and the practical experience in the CEMA countries indicate that the observance of the functional principles that are inherent in contract relations, with which the partners in the agroindustrial sphere act as completely equal economic links operating on a self-repaying basis, creates real prerequisites for the efficient combination of centralized planning with the development of economic initiative, for achieving a closer tie between the incentives and effectiveness.

During recent years, in the decisions of the Communist and workers parties in the socialist countries, there has been an emphasizing of the need to intensify the role played by contract relations, to reinforce contract discipline, and to achieve a direct relationship between the providing of material incentives and

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the fulfillment of the pledges with regard to economic contracts. The economic contract is becoming an increasingly active economic instrument for forming, making, and implementing planning decisions.

The role of direct economic-contract ties in the prevention of losses is great. Under the conditions of the relations that have developed between the farms and the procurement and supply-and-sales system, the producers orient themselves only on that amount of output which can realistically be accepted and stored in that system in storage facilities, at warehouses, etc. With the traditional system of procurements, as a result of the lag with regard to the infrastructure of the agroindustrial complex, there is a loss, for example, of as much as 40 percent or more of potatoes, and as much as 25 percent of vegetables and fruit. In the All-Hungarian Vegetable and Fruit Association that was created and is operating on a contract basis, and that uses modern equipment, almost complete elimination of losses has been achieved.

Practical life attests to the fact that it is precisely with a developed system of economic contracts that one achieves the best balancing of production, overcomes departmental barriers, and provides for the application of a truly comprehensive system of planned administration of production both on the macroeconomic and on the microeconomic level. The experience of Hungary shows that the resolution of these problems to a substantial degree appears possible on the basis of converting the economic contract into the chief form of economic interrelations between enterprises and the organizations of the NAPK, thanks to which, factually speaking, the directed formation and successful implementation of the state plan are carried out.

At the present time in the European GEMA countries 80-100 percent of the commercial agricultural output produced in the social sector, in the course of its subsequent processing and sale, is recorded in economic contracts. However, in and of itself, the share of output that is involved in the economic contracts does not yet determine the degree of effectiveness of the use of this system. Against the background of overall progress in the development of economic-contract relations, the degree of use of the functions and principles that are organically inherent in that economic category is substantially different for the individual countries. The contracts can fulfill the economic functions of direct influence upon increasing the final results of the development of the NAPK, when they act as a relatively independent lever for implementing the economic-planning decisions, rather than formally duplicating the planned assignment. Correspondingly, the entire system of incentives and sanctions should be constructed depending upon the fulfillment of the economic contracts.

The effectiveness of the economic mechanism depends to a substantial degree upon the forms and methods of material incentive provided to the workers in the production subdivisions, upon the clearly coordinated economic relations within the enterprises of the agroindustrial associations, complexes, combines, etc. The question that is fundamental here is the question about how the system of incentives is consistently directed at effectiveness and quality, and what predetermines the strictly established evaluation criteria and indicators of economic activity. When improving the economic mechanism of the agroindustrial complex, it appears to be important to achieve a direct functional

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relationship between the enterprises' income and the level of payment of the labor performed by the workers, on the one hand, and the generalizing indicator of their effectiveness -- profitability -- on the other.

With the aid of a price policy, deductions from profit, and other forms of financial-economic regulation, one guarantees the combination of the interests of society as a whole and the individual collectives. Simultaneously one creates the prerequisites for intensifying the material self-interestedness of individual workers within the economic subdivisions. However, in order to implement these prerequisites, it is necessary to inform every worker collective, every concrete producer, of what the incentives are. This is possible by the development, practical introduction, and constant improvement of a system of incentives that is based on the socialist principle of remuneration for labor on the basis of its quantity and quality.

Payment for labor is the chief form of realizing the personal economic interests of the producers in the system of production relations under socialism. During the past decade the role of the basic wages as a form of material incentive in the agriculture of the CEMA countries has grown. This is linked with the change-over to monetary payment, with the introduction of a guaranteed minimum wage, and with the gradual reduction in the share of the vitally needed means which are needed for the reproduction of the manpower and which are coming from the personal subsidiary farm. But simply through wages one does not always assure a direct relationship between the results of labor and the effectiveness of production, on the one hand, and the income of the immediate producers, on the other.

As a result of the development of comprehensive mechanism, the results of labor are increasingly determined not by individual workers, but by a collective -- a brigade, section, etc. Under these conditions in all the countries that are being considered, there has been an increase in the role of the system of payment by the job plus bonus. This system, when determining the contribution made by each individual to the overall result takes the most complete consideration of the individual material interests of the producers and assures their combination with the overall, collective interests\*.

At the present time there has been an increase in the role of bonuses paid to workers on the basis of the final results of their labor. For example, in Czechoslovakia, in the overall volume of bonuses there has been an increase in that share of them for which the payment is linked with the qualitative

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\*In the European CEMA countries, the job-plus-bonus system is used with the giving of time advances. Sixty to 80 percent of the total earnings is paid during the course of the year, and 20-40 percent on the basis of the year's results. Experience indicates that the excessive increasing in the share of payment based on the year's results is undesirable, since the even payment of the labor during the year increases the sense of confidence in the workers. Twenty to 40 percent of the total earnings to be paid out at the end of the year seems to be a sufficient amount for guaranteeing the material self-interestedness in the final results of the labor.

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results of production and labor. Whereas previously that share constituted approximately 7 percent, at the present time it occupies 25-30 percent of the total wage fund.

Despite the unification of the forms and methods of providing incentives to the workers, including the farm managers and specialists, on the whole the payment of labor is not always directly linked with the results of production, with its qualitative indicators. The forms of additional material incentive are extremely varied, and frequently duplicate one another, but, most important, they are insufficiently interrelated with the criterion and indicator of effectiveness. That is why it would appear to be important to intensify the work of guaranteeing the direct dependence of any additional incentive payment upon the achieved indicators of effectiveness, upon the amount of profit obtained, and the level of profitability. According to many participants in the international conference that was held in 1981 and that was devoted to the problem being discussed, herein lies one of the basic areas for improving the economic mechanism in the agroindustrial sphere of the CEMA countries.

The rate of results in the comprehensive improvement of the economic mechanism, the effective use of all the previously analyzed elements of that mechanism, and the concrete economic instruments and levers, are largely determined by the organizational structure in the NAPK, by the orientation on the final results of the agroindustrial production not only of the economic levers and incentives, but also the organizational-administrative system.

Practical life has shown us that without a change in the organizational-administrative structure of the agroindustrial complex, it is impossible to overcome the departmental dissociation or to eliminate the disproportions within the complex. A step forward in the elimination of these shortcomings was the creation in Hungary, East Germany, Romania, and Czechoslovakia of single ministries of agriculture and the processing industry. That made it possible, in particular, to maneuver the resources more effectively on the scale of the entire complex, and to be more time-responsive in taking into consideration the changing economic situation. However, the experience of the activity of the new ministries attests to the fact that it has not yet been possible to overcome completely the interdepartmental discrepancies in the relations among the branches and spheres of the NAPK. The question of including the branches in sphere I in the administrative system of the agroindustrial complex has not been resolved (or has not received a definite scientific substantiation).

At the present time in the CEMA countries there predominates the opinion concerning the need to create a coordination center for NAPK on the Council of Ministers level, which center would be granted broad powers for resolving the basic questions of developing the complex, as well as the administrations and departments of the agroindustrial complex in the planning agencies. That kind of center, with the existence of the corresponding economic functions, could, by using contract relations and cost-accounting levers and incentives, guarantee the comprehensive development of the NAPK and carry out effective interdepartmental monitoring of its development.

In a number of CEMA countries there have already been created organizations that are fulfilling functions that are analogous to the tasks of this

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coordination center. For example, a governmental commission for administering the supply of the basic types of foodstuffs is functioning in Czechoslovakia. The commission is headed by the deputy chairman of the Federal Government. Its makeup includes representatives of the ministries of agriculture and the food industry, Gosplan, the Federal Price Administration, and other departments. In East Germany for a number of years all the questions linked with the development of the NAPK, within the framework of the State Planning Commission, have been under the jurisdiction of one of the deputy chairmen. That makes it possible in a more time-responsive manner to maneuver the resources, and especially to change the structure of capital investments. At the present time there has been an intensification of the comprehensive nature of planning and administration of the NAPK in the USSR. In 1981 an Administration of Planning of the Agroindustrial Complex was formed in USSR Gosplan. It has four sections: a combined section and three branch sections (agriculture, food industry, microbiological and combined-fodder industry).

Efficient organizational-administrative forms of the agroindustrial complex are also developing on the microeconomic level. In Hungary a form that has become widespread is the use of industrial production systems (IPS) for growing animal-husbandry crops and for the production of animal-husbandry output. Their members are the overwhelming majority of the state farms and agricultural production cooperatives in the country. The central link in the organizational-administrative structure of the IPS is the so-called head farm, which might be an advanced state farm or cooperative. The head farm is characterized by the availability of a large amount of experience in the production of a definite kind of output, by a high level of comprehensive mechanization, and by the availability of highly skilled personnel. The association functions as a completely independent economic organization. Every member of the industrial production system concludes a contract that regulates its relationship with the head farm and with the other partners. The general assembly, where the delegates of all the participating enterprises are represented, and the board of governors, which is elected by the general assembly, are the collective administrative agencies of the IPS.

In East Germany organizations that have proven their value as an efficient form of agroindustrial integration are the associations which have been given the name of cooperative unions. The cooperative unions include specialized agricultural enterprises and organizations, as well as enterprises in the processing industry and trade. The enterprises and organizations that are included in a cooperative union retain their legal and economic independence. The highest agency of the cooperative union is the assembly of authorized agents, the makeup of which includes an identical number of representatives from all the enterprises and institutions that are included in the associations. The assembly of authorized agents elects the council chairman and a time-responsive administrative agency -- the council of the cooperative union. Various working groups and commissions are the consultative agency for administering the association. Their tasks include the preparation of decisions in a particular area of development of the association.

In the Soviet Union the regional agroindustrial associations (RAPO) are a promising organizational-administrative form of agroindustrial integration. These

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associations include within themselves, within the confines of the rayon, all the kolkhozes, sovkhozes, interfarm associations, and processing enterprises and sections of Goskomsel'khoztekhnika. The administrative agency of the association is the council, which carries out the administration of the partners on principles of cost accounting. The RAPO are subordinate to the rayon executive committee and to the functional republic-level or union-level agency. The RAPO have become most widespread in Estonian SSR. Starting in 1982, all the rayons in the republic are changing over this kind of organizational structure for administering the agriculture and the branches that are connected with it. There has been an increase in the number of rayon agroindustrial associations in Lithuania, Latvia, and Georgia. The formation of regional organizational-administrative structures on the microlevel completes the transition to production-economic integration within the national-economic agroindustrial complex.

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